



20 NOV 1958

**The Honorable Jacob K. Javits
United States Senate
Washington 25, D. C.**

Dear Senator Javits:

Thank you for your recent letter enclosing a copy of S. 4267 to promote an increasing flow of private capital from the United States to other areas of the world.

As you know, I am deeply concerned with the international activities of the Communist Bloc countries and in this connection I am much interested in international investment, especially that flowing to the uncommitted countries of the world. This interest has led me to report publicly several times on the international investment program of the Sino-Soviet Bloc in these countries.

Soviet Bloc extensions of long-term credits to this group of nations have increased over 200 times in the last four years, while commodity trade, technical aid and other forms of exchanges have also multiplied. Although the absolute level of the Bloc investment program is still small as compared with that of the United States, the returns to the Soviets in good will, prestige and political influence have been enormous. In part these returns are to be explained by the very novelty of the fact that an alternative source of investment funds is available to the recipient countries.

Soviet successes also stem from certain distinctive characteristics of the Soviet program. These include the ability of the Bloc to make long-term financial commitments, the low interest rates charged, the speed and flexibility with which the Bloc can react to opportunities, the alacrity

with which the Bloc is able to implement its contracts, and the fact that the Bloc has been willing to take payment in the currency and the goods of the recipient country. Credits and grants are frequently offered in response to the desires of local leaders for prestige projects which are often not economically sound. The Communist program thus may actually impede long-term development, quite apart from its political dangers.

Therefore, an American investment program should be designed in part to counter this growing threat from the Soviet Bloc economic offensive.

I hope these comments will be of some assistance to you and if you have the opportunity I would be glad to sit down with you and discuss this subject in greater detail.

Sincerely,

Signed

Allen W. Dulles
Director

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Initial proposed draft of letter to Jacob K. Javits,
U.S. Senate, Committee on Rules and Administration,
prepared for DCI's signature by [REDACTED] 25X1A9a
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14 Nov 58. (Background material returned.)

2 - AD/RR
1 - Ch/E
1 - D/S

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D R A F T

November 14, 1958

Dear-

Thank you very much for sending along a copy of your bill, S.4267, which I understand is aimed at increasing the flow of private capital from the United States.

As you know, I am deeply concerned with the international activities of the Communist Bloc countries and in this connection I am much interested in international investment, especially that flowing to the uncommitted countries of the world. This interest has led me to report publicly several times on the international investment program of the Sino-Soviet Bloc in these countries.

Soviet Bloc extensions of long-term credits to this group of nations have increased over 200 times in the last four years, while commodity trade, technical aid and other forms of exchanges have also multiplied. Although the absolute level of the Bloc investment program is still small as compared with that of the United States, the returns to the Soviets in good-will, prestige and political influence have been enormous. In part these returns are to be explained by the very novelty of the fact that an alternative source of investment funds is available to the recipient

countries. But Soviet successes also stem from certain distinctive characteristics of the Soviet program. These include the ability of the Bloc to make long-term financial commitments, the low interest rates charged, the speed and flexibility with which the Bloc can react to opportunities, the alacrity with which the Bloc is able to implement its contracts, and the fact that the Bloc has been willing to take payment in the currency and the goods of the recipient country. Credits and grants are frequently offered in response to the desires of local leaders for prestige projects which are often not economically sound. The Communist program thus may actually impede long-term development, quite apart from its political dangers.

An American investment program to be successful must meet and counter the operational advantages now enjoyed by the Soviet Bloc countries. It should, moreover, effectively provide for relatively stable rates of balanced economic growth throughout the free world.

I am delighted at your interest in these problems and appreciate your having provided me with an advance copy of your bill.

Sincerely yours,